

BUDGET LETTER

NUMBER:

02-19

SUBJECT:

CONTROL SECTION 3.60

DATE ISSUED:

July 22, 2002

REFERENCES:

SUPERSEDES:

BL 01-26

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

Note: Please forward a copy of this Budget Letter (BL) to your department's/agency's Personnel and Labor Relations Officers.

This letter provides background information and related budget development instructions for the 2002-03 employer retirement rate adjustments, pursuant to Control Section 3.60.

CONTROL SECTION 3.60 BUDGET DEVELOPMENT INSTRUCTIONS

A. Background

Control Section 3.60(a) of the proposed Budget Bill of 2002 authorizes the Department of Finance to adjust any Budget Act appropriation, as needed, to reflect rate changes for the employer's contributions to the California Public Employees' Retirement System (CalPERS) for the 2002-03 fiscal year.

Through Control Section 3.60, the Legislature will adopt higher employer retirement contribution rates that are not yet reflected in individual departmental base budgets. Pursuant to Control Section 3.60(a), departmental appropriations will be adjusted to accommodate the State employer's share of increased retirement costs through the Executive Order process. The following table displays the 2001-02 and 2002-03 retirement rates:

-A-	-B-	-C-
Retirement Category	2001-02 Retirement Rates	2002-03 Retirement Rates
Miscellaneous, First Tier	4.166%	7.413%
Miscellaneous, Second Tier	0.036%	2.813%
State Industrial	0.350%	2.858%
State Safety	12.923%	17.055%
Highway Patrol	16.897%	23.076%
Peace Officer/Firefighter	9.638%	13.925%

B. Control Section 31.60 Adjustment

Departments must reduce the 2002-03 Salary Base on Attachment II for all positions to be eliminated pursuant to Control Section 31.60.

C. Treatment of Budget Documents

Departments will use the "Employer Retirement Rate Contribution Adjustment Worksheet" (Attachment II) to calculate the required budget adjustment. Budget staff of the affected departments and their respective Finance Budget Analysts will make the necessary adjustments to the 2002-03 and 2003-04 budget documents to reflect the retirement rate adjustments identified on Attachment II. These include adjustments to the Planning Estimates, Supplementary Schedule of Appropriations (Schedule 10s), the Governor's Budget (Reconciliation with Appropriations, Summary by Object, etc.), and supplementary schedules.

See Attachment I of this BL for instructions on the treatment of budget documents.

Departments must use the retirement rates in Column C on the previous table in any Budget Change Proposal submitted to Finance, whether for the current year (2002-03) or the budget year (2003-04).

D. Due Dates

Departments are required to return the "Employer Retirement Rate Contribution Adjustment Worksheet" (Attachment II) and the "Planning Estimate Adjustment Summary" (Attachment III), along with related supporting documentation, to their respective Finance Budget Analyst as soon as possible, but **no later than Monday, October 21, 2002.**

Please direct your questions to the following:

- Treatment of budget documents should be directed to your Finance Budget Analyst.
- Technical guidance on this Budget Letter should be directed to Bob Sands or Jeff Carosone of the Department of Finance, Administrative Services Unit, at (916) 445-3274 (CNET 485-3274).



Yoshie Fujiwara
Program Budget Manager

Attachments

Upcoming Budget Letters

- Late Payment Penalty Interest Rates
- Change to General Statewide Sections
- Expenditure Authorization Controls
- Supplemental Language Report Requests

**EMPLOYER RETIREMENT CONTRIBUTION RATE ADJUSTMENTS
TREATMENT OF BUDGET DOCUMENTS**

A. Planning Estimates (PE)

Section 3.60 – Post the totals from the completed Attachment III to PE line 0200 for each applicable item of appropriation. These baseline adjustments must be entered for both **current year** and **budget year**. Attachment III will be used by Finance Budget Analysts to update the PE system prior to receiving completed PE worksheets from departments.

B. Schedule 10s

An Executive Order will be prepared to adjust 2002-03 departmental appropriations due to the change in retirement rates. Departments must manually post the 2002-03 adjustments listed on Attachment III to their current year Schedule 10s.

Example:

Adjustment per Section 3.60:

Program A or Personal Services	\$XXX
Program B or OE&E	\$XXX
Reimbursements	<u>-\$XXX</u>
Total	\$XXX

C. Reconciliation with Appropriations

Adjustments per Control Section 3.60 will be displayed in the automated RWA on the line entitled "Adjustment per Section 3.60."

Example:

RECONCILIATION WITH APPROPRIATIONS				
1 STATE OPERATIONS				
0001 General Fund				
	2001-02	2002-03	2003-04	
APPROPRIATIONS				
001 Budget Act appropriation	\$XXX	\$XXX	\$XXX	
Adjustment per Section 3.60	<u>XX</u>	<u>XX</u>	<u>--</u>	
Totals Available	\$XXX	\$XXX	\$XXX	
Unexpended balance, estimated savings	<u>-X</u>	<u>--</u>	<u>--</u>	
TOTALS, EXPENDITURES	\$XXX	\$XXX	\$XXX	